

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)

Telephone Number Portability)

CC Docket No. 95-116
RM 8535

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

COMMENTS OF GTE

GTE Service Corporation and its affiliated domestic telephone operating companies (collectively "GTE")¹ respectfully submit their comments in response to the Commission's request in the Third Report and Order of the above-captioned proceeding.² In the *Order*, the Commission solicited proposals for the manner in which different types of telephone number portability costs should be apportioned, with specific reference to joint cost which are category three costs – carrier specific costs not directly related to the provision of number portability.³ As set forth below, GTE proposes that, similar to the cost categories which carriers are permitted to develop for their Cost Allocation Manuals, carriers be allowed to develop an allocation method that is most suited to their unique situations.

¹ GTE's domestic telephone operating companies are: GTE Alaska Incorporated, GTE Arkansas Incorporated, GTE California Incorporated, GTE Florida Incorporated, GTE Hawaiian Telephone Company Incorporated, The Micronesian Telecommunications Corporation, GTE Midwest Incorporated, GTE North Incorporated, GTE Northwest Incorporated, GTE South Incorporated, GTE Southwest Incorporated, Contel of Minnesota, Inc., and Contel of the South, Inc.

² Telephone Number Portability, *Third Report and Order*, CC Docket No. 95-116, FCC 98-82 (released May 12, 1998) (hereinafter "*Order*").

³ *Order*, at ¶ 75

I. INTRODUCTION

In its *First Report*, the Commission determined that number portability costs should be identified as belonging to one of three cost categories.⁴ The first category, shared costs, consists of costs incurred by the industry as a whole. Examples of shared costs include those costs that are incurred by the third-party administrator to build, operate, and maintain the databases needed to provide number portability.

The second category, carrier specific costs directly related to providing number portability, are limited to costs that carriers incur specifically to provide number portability. Examples of such carrier specific costs include costs associated with purchases of software and hardware that are used exclusively to provide number portability, such as Service Control Points ("SCPs") and switch software enabling the querying of calls and the porting of telephone numbers from one carrier to another.

The third category consists of carrier specific costs not directly related to providing number portability. Examples of such carrier specific costs include costs associated with generic software releases, hardware upgrades, modifications to the SS7 network, modifications to Operations Support Systems ("OSS"), and a wide range of other costs that affect number portability but may also affect other services as well. The extraction of "that portion of a carriers joint costs that is demonstrably an incremental cost carriers incur in the provision of long-term number portability"⁵ is the focus of these comments.

⁴ Telephone Number Portability, *First Report and Order and Further Notice of Proposed Rulemaking*, CC Docket No. 95-116, FCC 96-286 (released July 2, 1996) (hereinafter "*First Report*") at ¶ 208.

⁵ *Order*, at ¶ 73

II. THE COST OF CERTAIN UPGRADES ARE *BONA FIDE* COSTS OF PROVIDING NUMBER PORTABILITY AND MAY PROPERLY BE INCLUDED IN CARRIERS' QUERY CHARGES AND ENDUSER SURCHARGES.

The *Order* makes clear that carriers will not be permitted to classify the entire cost of a specific network upgrade as a carrier specific cost directly related to providing number portability (a Category 2 cost) "just because some aspect of the upgrade relates to the provision of number portability."⁶ Nonetheless, the *Order* correctly recognizes that number portability requirements will cause carriers to incur costs that they would not ordinarily have incurred in providing service. In an effort to strike a balance between including or excluding all joint costs, the *Order* proposes to allow carriers to treat as direct costs "that portion of a carrier's joint costs that is demonstrably an incremental cost carriers incur in the provision of long-term number portability."⁷

GTE's previous comments in this proceeding acknowledged the Commission's concern that carriers not be permitted to "gold plate" their networks and then seek recovery of these costs in the name of number portability. GTE therefore proposed that to the extent a carrier can demonstrate that the costs of upgrades and modifications would not otherwise have occurred within five years from the date they were required for number portability, the costs incurred in that activity should be a direct number

⁶ *Order*, at ¶ 73

⁷ *Order*, at ¶ 73

portability cost.⁸ Thus, GTE urged the Commission to "explicitly acknowledge that any cost incurred to modify an existing network function that would not have been incurred but for the need to implement number portability would be a cost 'directly related to' number portability and thus, recoverable as a Category 2 cost."⁹

As discussed in GTE's prior comments, Operational Support Systems ("OSS") are an area of special concern when number portability is implemented in existing networks. "Under a "but for" qualifying test, ... only those costs incurred to keep an OSS function operating as it did prior to the introduction of number portability ... would be included as Category 2 costs."¹⁰ As a result, GTE believes that in appropriate circumstances and with proper demonstration, carriers should be permitted to treat the full cost of upgrades for switch hardware and software, OSS, SS7 or other network modifications as directly related to the provision of number portability cost category.

Utilizing this "but for" approach, only those upgrades that do not qualify for recovery as Category 2 costs should be considered Category 3 joint costs. Then these costs may be examined so that recovery includes "that portion ... of joint costs that is demonstrably an incremental cost" in the provision of number portability.

⁸ GTE Comments in *First Report* dated August 16, 1996 at 5. Most carriers have established planning horizons for network upgrades and modifications. Additionally, most carriers have established practices that are used to determine when a specific office should be upgraded or changed. These objective standards can be used to demonstrate that the changes incurred to implement number portability would not have been initiated under the carrier's existing practices "but for" number portability.

⁹ GTE Comments in *First Report* dated August 16, 1996 at 4

¹⁰ GTE Comments in *First Report* dated August 16, 1996 at 5

III. WHILE SOME JOINT COSTS MAY BE APPORTIONED ON INDUSTRY-WIDE ALLOCATIONS, OTHER JOINT COSTS CAN ONLY BE APPORTIONED ON CARRIER SPECIFIC INFORMATION.

Based on its own experience, GTE believes that it will not be possible for the Commission to adopt a uniform allocation method that will be appropriate across the industry. Specifically, after examining the wide range of joint costs that GTE has already incurred in implementing number portability, it is clear that the majority of costs are dependent on specific network conditions.¹¹ The various designs of the switch vendors that GTE has deployed in its network have many times required unique modifications to switch hardware and OSS functions. Network connectivity compatibility (*i.e.*, switch types in end office and access tandems) also determined the overall activities required to successfully implement number portability. The existing capacity in the SS7 signaling network and the engineering assessments of the SS7 equipment manufactures all resulted in case-by-case decisions on how best to accommodate number portability.

Recognizing that an industry-wide approach is not possible, GTE proposes that carriers be allowed to develop an allocation method that is most suited to their unique situations. As the Commission allowed carriers to develop their own cost categories in their Cost Allocation Manuals ("CAM") to reflect the carriers unique methods of accounting,¹² so also should carriers be permitted to develop joint cost allocations that

¹¹ While GTE has successfully implemented number portability in several areas, the implementation process will continue through the Commission's Phased Implementation Plan and well into the future.

¹² In the Matter of Separation of Costs of Regulated Telephone Service from Costs of Nonregulated Activities, CC Docket 86-111, Report and Order, FCC 86-564, 2 FCC Rcd 1298, 1319 (released February 6, 1987).

reflect their unique experiences in implementing number portability. While there are differences between the ongoing CAM process and the essentially one-time development of allocations for joint number portability costs, the core concept of eschewing a "one-size-fits-all" allocation approach is proper.

Notwithstanding this general proposition, GTE recognizes that there are certain number portability joint costs that uniquely lend themselves to an industry allocation. Virtually all major switch vendors developed and sold generic software releases that were essential for the implementation of number portability. Since the same generic software release is used across the industry for a particular switch, a uniform allocation between number portability and non-number portability costs may be appropriate. For such costs, GTE proposes that a workgroup composed of switch vendors and carriers be tasked with proposing an allocation for each major generic software release that is required for number portability to function.¹³

IV. CONCLUSION

Under Section 251(e)(2) of the Telecommunications Act of 1996, the Commission has the responsibility of assuring that "[t]he costs of establishing ... number portability shall be borne by all telecommunications carriers on a competitively neutral basis as determined by the Commission." The Commission can only accomplish this mandate if it allows carriers to include all costs of providing number portability in the recovery mechanisms established for such purpose. Costs that would not have been incurred by the carrier "but for" number portability are certainly directly

¹³ The Commission would have to establish firm, near-term deliverable dates to prevent the delay of number portability tariffs.

related to number portability and must be included in full in the recovery mechanism. Portions of joint costs are essential number portability costs and must be fairly identified and included in the recovery mechanism. Carriers should be allowed to develop joint cost allocations that reflect their experience with number portability implementation, with the possible exception of industry-wide generic software releases where a uniform allocation may be appropriate.

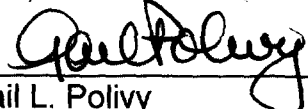
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Respectfully submitted,

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